

The House and Senate Railroad Bills

A Digest and Comparison Prepared November 17, 1919, by Richard Waterman

Secretary, Railroad Committee Chamber of Commerce of the United States

The Chamber of Commerce of the United States has prepared for the information of its members the chart printed below showing, in convenient form for comparison, the most important provisions of the two general railroad bills now before Congress. The Esch bill, H. R. 10453, was passed by the House of Representatives November 17, 1919, and at once sent to the Senate for action. The Cummins bill, S. 3288, was reported to the Senate October 22, 1919, by the Senate Committee on Interstate Commerce. It will probably be taken up for consideration by the Senate as soon as the regular session of Congress opens December 1, 1919.

The two bills differ in many important particulars. As soon as the Cummins bill is passed by the Senate the two bills will be sent to a conference committee, which will first harmonize the conflicting provisions and then report out a conference bill that will first be passed by both the Senate and the House and then be sent to the President for his approval.

The Chamber of Commerce has also prepared the following brief summary of the principles of railroad legislation approved by the business men of the country in a referendum vote that was completed July 24, 1919. The summary, after stating a principle, shows in each instance whether or not it has been incorporated in one or both of the bills.

The principles approved by the business men in Referendum 28 of the Chamber of Commerce of the United States are as follows:

(1) Adherence to the policy of corporate ownership and operation with comprehensive government regulation. (*Senate and House bills.*)

(2) Return of the roads to corporate operation as soon as remedial legislation can be enacted. (*Senate and House bills.*)

(3) Adherence to the period of federal control as now fixed unless and until the impossibility of enacting remedial legislation within this period clearly appears. (*Senate and House bills.*)

(4) Permission for consolidation in the public interest, with prior approval by government authority, in a limited number of strong competing systems. (*Senate and House bills.*)

(5) Requirement that railroad companies engaging in interstate commerce become federal corporations with rights of taxation and police regulation reserved for the states. (*Senate bill.*)

(6) Exclusive federal regulation of capital expenditures and security issues of railroads engaged in interstate commerce with provision for notice and hearings for state authorities. (*Senate and House bills.*)

(7) Federal regulation of intrastate rates affecting interstate commerce. (*Senate and House bills.*)

(8) Adoption of a statutory rule providing that rates in each traffic section shall yield an adequate return on a fair value of the property as determined by public authority. (*Senate bill.*)

(9) Creation of a Federal Transportation Board to promote the development of a national system of rail, water and highway transportation and the articulation of all transportation facilities. (*Senate bill.*)

SENATE COMMITTEE BILL.

The Cummins bill, S. 3288, introduced October 22, 1919, presents the recommendations of the Senate Committee on Interstate Commerce. It provides for:

Return of all railroad and transportation systems to corporate ownership and operation on the last day of the month, in which the act is approved.

Consolidation of all railroad properties in accordance with a plan previously adopted by the Federal Transportation Board, and approved by the Interstate Commerce Commission, into 20 to 35 separate competing systems, each owned and operated by a distinct Federal corporation—consolidation to be voluntary if accomplished within 7 years, and, thereafter, to be compulsory.

Federal incorporation of all railroads with a requirement that each corporation shall include in its Board of Directors two representatives of classified employees, and two representatives of the Government.

Exclusive regulation and control by the Transportation Board of the issuance of stocks or bonds by railway or water common carriers; and, of the purposes to which the proceeds of the sale of such securities may be applied.

Continuation of rates that are in effect at the termination of Federal control, until changed by competent authority.

Provision that new rate schedules filed with the Commission within 60 days after Federal control ceases, shall become effective within four months after they are so filed, if approved by the Commission.

Requirement that the Commission shall divide the country into rate districts, and the railway carriers into rate groups as an aid in determining the adequacy of rates in producing revenues.

Regulation of all rates that affect interstate Commerce, of maximum and minimum rates and joint rates and of the division of joint rates, by the Interstate Commerce Commission under a statutory rule providing that the railway carriers, as a whole, in each rate-making district, shall be allowed to earn an aggregate annual net railway operating income equal as nearly as may be to 5½% upon the aggregate value of their property; and that they may be allowed to retain in addition ½ of 1%, to pay for non-productive improvements that cannot be capitalized. In 1925, and at intervals of 5 years thereafter, the Interstate Commerce Commission shall determine whether or not the existing rates are adequate for transportation purposes in each rate-making district.

HOUSE BILL.

The Esch Bill, H. R. 10,453, was passed by the House of Representatives, November 17, 1919, and sent to the Senate for action. It provides for:

Return of all railroads and systems of transportation to private ownership and operation, on the last day of the month, in which the act is approved.

Consolidation, unification or merger by purchase, lease, stock control, or in any other way of any two or more carriers, or the pooling of their traffic earnings or facilities, to the extent that the Commission indicates will be in the public interest.

Federal incorporation opposed, because it may be unconstitutional and would probably entail large expense, long delays and a vast amount of litigation.

Exclusive and plenary jurisdiction of the Interstate Commerce Commission over the issuance of stocks, bonds and other securities by any common carrier, the purpose of any proposed issue and the use of the proceeds thereof.

Continuation of rates that are in effect at the termination of Federal control, until changed by competent authority.

Requirement, that general increases in rates must be asked by the carriers within sixty days after the return of the carriers to private control.

Creation of regions for incorporation, administration and rate-making purposes, opposed because it would limit competition, and would make rate-making based on average conditions of carriers within a given region an impossible task.

Regulation of all rates that affect interstate commerce, of maximum and minimum rates and joint rates and of the division of joint rates by the Interstate Commerce Commission under the provisions of section fifteen of the Act to Regulate Commerce as thus amended without defining a new rule of rate-making.

Valuation by the Commission of all property owned by every common carrier (as provided in Section 15a of the Act to Regulate Commerce).

Ownership and Operation.

Consolidation and Competition.

Federal Incorporation.

Security Issues and Capital Expenditures.

Rate Increases.

Rate Districts and Rate Groups.

Rule of Rate-Making.

Valuation.

Adequate Revenues

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